

# PI&CERELLI, GILSTEIN & COMPANY, LLP

*Certified Public Accountants and Consultants*

September 23, 2020

The Honorable Marvin L. Abney  
Chairperson, House Committee on Finance  
Rhode Island State House, Room 35  
Providence, RI 02903

RE: H. 7171, Article 8, Amendment 14 – Relating to Taxes

Dear Chairman Abney,

Since our Firm represents many small Rhode Island business owners, we are expressing our opposition to the proposed amendment relating to taxes in Article 8 of H.7171, the Governor's Proposed FY 2021 Budget.

We believe retroactive provisions increasing a tax liability is never good tax policy and sets a bad precedent. We understand this issue results from a retroactive federal tax change.

This year, due to COVID-19, Congress retroactively reversed the provision in Federal Tax Reform that limited excess business losses for years 2018-2020. The reversal of the provision disallowing the losses was to help businesses through turbulent times and generate cash for businesses. Most small businesses affected by the limitation have amended their 2018 and 2019 returns and received much needed cash to assist their business. If this provision passes, these same small businesses would have to file another 2018 Rhode Island amended tax return *and* 2019 Rhode Island amended tax return.

If this legislation is passed after 10/15/20, many more small business taxpayers would have to file amended 2019 Rhode Island tax returns, incurring both additional professional fees and a tax liability.

These small business taxpayers are struggling to keep their businesses open. Requiring them to use the cash needed to keep the business open to pay a Rhode Island tax is against all the favorable provisions our leadership has implemented since the beginning of the pandemic. This assumes the small business has the cash available to pay the additional tax.

Delaying the 20% deduction until 2021 would create an undue hardship for taxpayers desperately needing cash.

Only three states have implemented this change; each has received major pushback from the business community. Unlike Nebraska, Colorado & North Carolina, who decoupled on this issue from the CARES Act, Rhode Island now has the second highest unemployment rate in the United States. This consideration would be harmful to small businesses and pass through entities.

Governor Raimondo, the Administration and the leadership team in the General Assembly have supported small businesses and we cannot understand how they would support this proposal to increase taxes on small businesses. Although we recognize the budget challenges the state is facing, this legislation would prove exceptionally burdensome to Rhode Island businesses at a time when they need relief more than ever. Spreading the tax liability out over 5 years only makes it a longer drawn out burden, with the same cost to the State.

We respectfully urge the Committee to oppose the Amendment 14, Budget Article 8, Relating to Taxes in the Governor's Proposed FY 2021 Budget.

Sincerely,

PICCERELLI, GILSTEIN & COMPANY, LLP

*Patricia O. Herpin CPA Tax Partner*